

Housing Authority of the Town of Erath Erath, Louisiana

**General Purpose Financial Statements and
Independent Auditors Reports
As of and for the Year Ending December 31, 2001
With Supplemental Information Schedules**

**WILLIAM DANIEL McCASKILL, CPA
A PROFESSIONAL ACCOUNTING CORPORATION**

**5150 Highway 22, Suite C-15
Mandeville, Louisiana 70471**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date, 7-17-02

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INDEPENDENT AUDITOR'S REPORT QUALIFIED OPINION ON GENERAL PURPOSE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Commissioners
Housing Authority of the Town of Erath
Erath, Louisiana

I have audited the accompanying general purpose financial statements of the Housing Authority of the Town of Erath (PHA) as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the PHA's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and provisions of the Louisiana Governmental Audit Guide. Those standards required that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.


The prior audit was reported on the modified accrual method of accounting. The current year financials are reported on the full accrual method of accounting.

In my opinion, except for the effects of the change in accounting method, the general purpose financial statements referred to above present fairly in all material respects, the financial position of the Housing Authority of the Town of Erath as of December 31, 2001, and the results of its operations and the cash flows of its propriety fund types for the year ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated June 04, 2002 on my consideration of the PHA's internal control over financial reporting and my tests of its compliance with certain laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements of the PHA taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non Profit organizations, and is not a required part of the general purpose financial statements. The accompanying Combining Financial Statements/Financial Data Schedules are presented for purposes of additional analysis as required by HUD, and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements and any other included supplementary information taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners of the PHA, and for filing with the Department of HUD and should not be used for any other purpose.

 **William Daniel
McCaskill, CPA, APAC**
Signature Valid

Digitally signed by William
Daniel McCaskill, CPA,
APAC
DN: cn=William Daniel
McCaskill, CPA, APAC,
c=US
Date: 2002.06.28 10:46:49
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William Daniel McCaskill, CPA
A Professional Accounting Corporation

June 04, 2002

**Housing Authority of the Town of Erath
Erath, Louisiana
Combined Balance Sheet - All Funds
As of December 31, 2001**

EXHIBIT A
Page 1 of 1

Assets

Current Assets:

Cash and Cash Equivalents	\$ 220,799
Total Accounts Receivable, Net of Allowance for Doubtful Accounts	4,410
Investments - Unrestricted	204,952
Interprogram Due From	-
Prepaid Expenses and Other Assets	19,702
Inventories	3,834
Total Current Assets	<u>\$ 453,697</u>

Noncurrent Assets:

Total Fixed Assets, Net of Accumulated Depreciation	\$ 382,318
Other Assets	5,712
Total Noncurrent Assets	<u>\$ 388,030</u>

Total Assets	<u><u>\$ 841,727</u></u>
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Liabilities and Equity

Current Liabilities:

Accrued Compensated Absences	\$ 1,920
Accrued Wage/Payroll Taxes Payable	-
Accounts Payable < 90 Days	837
Accounts Payable - HUD PHA Programs	11,957
Accounts Payable - Other Government	6,357
Tenant Security Deposits	3,217
Deferred Revenues	172,235
Current Portion of LT Debt - Capital Projects	-
Accrued Liabilities - Other	-
Interprogram Due To	-
Total Current Liabilities	<u>\$ 196,523</u>

Total Noncurrent Liabilities	4,995
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Total Liabilities	\$ 201,518
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Total Fund Equity	<u>\$ 640,209</u>
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Total Liabilities and Equity	<u><u>\$ 841,727</u></u>
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See notes to financial statements

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**Housing Authority of the Town of Erath
Erath, Louisiana**
**Combined Statement of Revenue, Expenses, and Change in Equity - All Funds
For Fiscal Year Ending December 31, 2001**

EXHIBIT B
Page 1 of 1

Revenues:

Net Tenant Rental Revenue	\$ 67,871
HUD PHA Grants	129,743
Other Government Grants	111,313
Investment Income - Unrestricted	14,298
Other Revenue	55,098
Total Revenues	<u>\$ 378,323</u>

Operating Expenses:

Administrative	\$ 71,304
Tenant Services	90
Utilities	4,299
Ordinary Maintenance & Operations	53,176
Protective Services	-
General Expenses	48,562
Total Operating Expenses Before Depreciation	<u>\$ 177,431</u>

Excess Revenue Over Expenses Before Depreciation	\$ 200,892
Extraordinary Maintenance	-
Casualty Losses - Non-Capitalized	53,373
Housing Assistance Payments	-
Depreciation Expense	65,390
Operating Transfers - In	-
Operating Transfers - Out	-
Net Operating Income (Loss) After Depreciation	<u>\$ 82,129</u>

Beginning Equity @ 12/31/00	\$ 3,330,690
Net Operating Income (Loss) After Depreciation	82,129
Prior Period Adjustments	(2,772,610)
Capital Outlays	-
Ending Equity @ 12/31/01	<u>\$ 640,209</u>

See notes to financial statements

**Housing Authority of the Town of Erath
Erath, Louisiana
Combined Statement of Cash Flows - All Funds
For Fiscal Year Ending December 31, 2001**

EXHIBIT C
Page 1 of 1

Cash flows from operating activities:

Net Operating Income (Loss)	\$ (107,835)	
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
(Increase) Decrease in tenants accounts receivable	-	
(Increase) Decrease in accounts receivable HUD	3,138	
(Increase) Decrease in misc accounts receivable	(1,395)	
(Increase) Decrease in prepaid items and other assets	(6,608)	
(Increase) Decrease in supplies inventory	400	
(Increase) Decrease in other assets	(5,558)	
(Increase) Decrease in untraced amount	(657)	
Increase (Decrease) in PILOT	1,553	
Increase (Decrease) in accounts payable	837	
Increase (Decrease) in accounts payable HUD	3,653	
Increase (Decrease) in accrued compensated absences	6,733	
Increase (Decrease) in tenant security deposits (liability)	(2,011)	
Increase (Decrease) in other payables and deferred revenue	172,235	
Net cash provided (used) by operating activities		\$ 64,485

Cash flows from noncapital financing activities:

Federal grants	\$ 129,743	
State or local grants	-	
Net cash provided (used) from noncapital financing activities		129,743

Cash flows from capital and related financing activities:

Acquisition of capital assets	\$ (111,313)	
Proceeds from grants	111,313	
Insurance Proceeds	\$ 53,373	
Casualty Loss Expense	(53,373)	
Net cash provided (used) for capital and related financing activities		-

Cash flow from investing activities:

Investment income (interest income)	\$ 14,298	
Net cash provided (used) by investing activities		14,298

Net increase (decrease) in cash and cash equivalents

\$ 208,526

Cash and cash equivalents at beginning of year

217,225

Cash and cash equivalents at end of year (exhibit A)

\$ 425,751

See notes to financial statements

**Housing Authority of the Town of Erath
Erath, Louisiana
Combined Statement of Revenues & Expenditures - Budget vs. Actual
Low Rent Program
For Fiscal Year Ending December 31, 2001**

EXHIBIT D
Page 1 of 2

	<i>Low Rent Public Housing</i>		
	Budget	Actual	Variance Actual-Budget Over (Under)
Revenues			
Local Sources:			
Total Tenant Rental Revenue	\$ 68,000	\$ 67,871	\$ (129)
Investment Income - Unrestricted	14,300	14,298	(2)
Receipts from Sale of Equipment	-	-	-
Other Revenue	1,800	1,725	(75)
Federal Sources:			
Operating Subsidy / HUD PHA Grants	129,588	117,631	(11,957)
Annual Contributions	-	-	-
Total Revenues	\$ 213,688	\$ 201,525	\$ (12,163)
Expenditures			
Administrative	\$ 60,420	\$ 60,307	\$ (113.00)
Tenant Services	720	90	(630.00)
Utilities	4,390	4,299	(91.00)
Ordinary Maintenance & Operations	47,960	47,591	(369.00)
Protective Services	-	-	-
General Expenses	64,390	64,268	(122.00)
Nonroutine Maintenance	-	-	-
Capital Expenditures	-	-	-
Prior Year Adjustments	(5,170)	(5,166)	4.00
Housing Assistance Payments	-	-	-
Total Expenditures	\$ 172,710	\$ 171,389	\$ (1,321)
Excess Revenues (Deficiency) Over Expenses	\$ 40,978	\$ 30,136	\$ (10,842)

See notes to financial statements

**Housing Authority of the Town of Erath
Erath, Louisiana
Statement and Certification of Actual Modernization Costs
For Fiscal Year Ending December 31, 2001**

EXHIBIT E
Page 1 of 1

Modernization Project Number LA48P047501-00

Original Funds Approved	\$ 111,468
Less Funds Expended (Actual Modernization Cost)	<u>111,468</u>
Excess Funds Approved	<u><u>\$ -</u></u>
 Funds Disbursed	 \$ 111,468
Less Funds Expended (Actual Modernization Cost)	<u>111,468</u>
Excess Funds Disbursed	<u><u>\$ -</u></u>

The distribution of costs by project as shown on HUD Final Performance and Evaluation Report dated 08/10/2001 accompanying the Actual Modernization Cost Certificates, submitted to HUD for approval are in agreement with the PHA's records.

All modernization costs have been paid and all related liabilities have been discharged through payments.

See notes to financial statements

Housing Authority of the Town of Erath
Notes to Financial Statements
Fiscal Year Ending December 31, 2001

Housing Authorities are chartered as a public corporation under the laws of the State of Louisiana for the purpose of providing safe and sanitary dwelling accommodations for the residents of Erath, Louisiana. This creation was contingent upon the local governing body of the city, county, or parish as applicable. A five member Board of Commissioners governs the PHA. The members, appointed by the Mayor of Erath, Louisiana, serve a four year staggered term.

Under the United States Housing Act of 1937, as amended, the US Department of HUD has direct responsibility for administering low rent housing programs in the United States. Accordingly, HUD has entered into an annual contributions contract with the PHA for the purpose of assisting the PHA in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the PHA for the purpose of maintaining this low rent character.

NOTE A - FINANCIAL REPORTING:

(1) Financial Reporting Entity

Generally accepted accounting principles require that the financial statements present the accounts and operations of the PHA and its component units, entities for which the PHA is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the PHA's operations and data from these units, if any are combined with data of the PHA. Each discretely presented component, if any, would be reported in a separate column in the combined financial statements to emphasize that it is legally separate from the PHA. As of December 31, 2001, and for the fiscal then ended, the PHA had no discretely presented component units or any component units that are required to be blended in these financial statements.

(2) Accounting Principle

Previously, the PHA used the modified accrual governmental GAAP method of accounting. During the fiscal year, the PHA changed to the governmental GAAP enterprise method of accounting.

The enterprise method accounts for operations in a manner similar to a private business. Under this method, all assets, including fixed assets, and all liabilities are in one fund, and one financial statement.

The enterprise method recognizes revenues and expenses on the full accrual basis. Revenues are recognized when earned and become measurable. Expenses are recognized in the period incurred, if measurable.

Housing Authority of the Town of Erath
Notes to Financial Statements
Fiscal Year Ending December 31, 2001
(continued)

Depreciation expense must be recognized for the enterprise method of accounting. Under the HUD regulatory method of accounting, depreciation was not recognized.

The PHA applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

(3) Budgetary Data

The PHA is required by its HUD Annual Contributions Contract to adopt annual budgets for the Low Rent Housing Program and the Section 8 Programs. Annual budgets are not required for modernization and drug elimination grants as their budgets are approved for the length of the project. Both annual and project length budgets require grantor approval.

(4) Cash and Cash Equivalents

The entity defines cash and cash equivalents to include certificates of deposit, money market funds, savings accounts, U.S. government securities, and demand deposits.

(5) Tenant Receivables

Receivables for rental and service charges are reported in the General Fund, net of allowances for doubtful accounts.

(6) Fixed Assets

Fixed assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Interest costs during construction have not been capitalized.

(7) Compensated Absences

Authority employees accrue personal leave, or compensated absences, by a prescribed formula based on length of service.

(8) Inventory and Prepaid Items

All inventory items are valued at cost using first-in, first-out method, and inventory is recorded using the purchase method. At year-end, the amount of inventory is recorded for external financial reporting. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid expenses consist of prepaid insurance.

Housing Authority of the Town of Erath
Notes to Financial Statements
Fiscal Year Ending December 31, 2001
(continued)

NOTE B - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS:

It is the entity's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The entity's deposits are categorized to give an indication of the level of risk assumed by the entity at December 31, 2001. The categories are described as follows:

Category 1: Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3: Uncollateralized, uninsured and unregistered, but with securities held by the bank, its agent, pledged to the PHA, but not in the PHA's name.

Cash Deposits, categorized by level of risk, (at cost, which approximates market) are:

Total Bank Balances	Category 1	Category 2	Category 3
\$451,909	\$159,786	\$ -0-	\$292,123

Whereas the reconciled general ledger reflects a balance of \$425,751, the actual bank balances were \$451,909.

NOTE C - ACTIVITIES OF THE PHA:

At December 31, 2001, the PHA was managing a Low Rent public housing and a Capital Fund Program.

NOTE D - CONTINGENCIES:

The entity is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refund by the entity to federal grantors and/or program beneficiaries.

Housing Authority of the Town of Erath
Notes to Financial Statements
Fiscal Year Ending December 31, 2001
(continued)

NOTE E - FIXED ASSETS:

As noted in Note A, soft costs formerly capitalized have been written off and fixed assets are now depreciated on the straight-line method over their estimated useful lives as follows:

Site improvements	10 Years
Buildings	10 Years
Building improvements	10 Years
Non-dwelling structures	10 Years
Equipment	3-7 Years

Low Rent	Cost	Current Depreciation	Accumulated Depreciation	Net Asset Value
Land	\$57,707	\$	\$	\$57,707
Buildings	2,574,036	59,336	2,389,406	184,630
Furniture & Equipment – Dwellings	119,412		119,412	
Furniture & Equipment – Administration	42,888	1,581	36,581	6,307
Leasehold Improvements	314,305	4,473	291,944	22,361
TOTAL	\$3,108,348	\$65,390	\$2,837,343	\$271,005

CFP	Cost	Current Depreciation	Accumulated Depreciation	Net Asset Value
Land	\$	\$	\$	\$
Construction in Progress	111,313			111,313
TOTAL	\$111,313	\$	\$	\$111,313

The capitalization limit is \$5,000.

All land and building are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the government and to protect other interests of the government.

Housing Authority of the Town of Erath
Notes to Financial Statements
Fiscal Year Ending December 31, 2001
(continued)

NOTE F - LONG-TERM DEBT:

To provide for the development and modernization of low-rent housing units, the PHA issued New Housing Authority Bonds and Permanent Notes-FFB. These bonds and notes are payable by HUD and secured by annual contributions. The bonds and notes do not constitute a debt by the authority, and accordingly, have not been reported in the accompanying financial statements. The amount of this debt that has been reclassified to HUD Equity is \$-0-.

NOTE G - RETIREMENT PLAN:

The entity provides benefits for all full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after a six-month exclusionary period. The employee contributes 5% and the entity contributes 8% of the employee's base monthly salary. The entity's contributions for each employee (and interest allocated to the employee's account) vest at 20% annually for each year of participation. An employee is fully vested after 5 years of participation.

The entity's total payroll for the fiscal year ending December 31, 2001 was \$57,358. The entity's contributions were calculated using the base salary amount of \$57,358. Contributions to the plan were \$2,868 and \$4,589, by the employees and the entity, respectively.

NOTE H - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Investments

The carrying amount approximates fair value because of the short maturity of these instruments.

Housing Authority of the Town of Erath
Notes to Financial Statements
Fiscal Year Ending December 31, 2001
(continued)

NOTE I- USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE J – PRIOR PERIOD ADJUSTMENTS:

	<i>Low Rent</i>	<i>Fixed Assets Account Group</i>
<i>Equity Transfer</i>	<i>3,108,348</i>	<i>(3,108,348)</i>
<i>Correction of errors per Fee Accountant</i>	<i>10,641</i>	
<i>Correction of errors *</i>	<i>(11,298)</i>	
<i>Correction of errors *</i>	<i>(2,771,953)</i>	
<i>TOTAL</i>	<i>355,738</i>	<i>(3,108,348)</i>

* For details, please refer to the audited adjusting journal entries on page 25.

NOTE K – INTERFUND RECEIVABLES / PAYABLES:

None

NOTE L - COMPENSATED ABSENCES:

At December 31, 2001, employees of the PHA have accumulated and vested \$6,915 of employee leave benefits, computed in accordance with GASB Codification Section C60. The balance of accrued compensated absences at December 31, 2001 was \$1,920 recorded as a current obligation and \$4,995 recorded as a non-current obligation.

**Housing Authority of the Town of Erath
Erath, Louisiana
Expenditures of Federal Awards
For Fiscal Year Ending December 31, 2001**

**SCHEDULE I
Page 1 of 1**

<i>CFDA #</i>	<i>Name of Federal Program</i>	<i>Federal Award Expenditure</i>
14.850a	Low Rent Public Housing	129,588
14.872	Capital Fund Program	111,468
Total Federal Expenditures		<u>\$ 241,056</u>

See notes to financial statements

Housing Authority of the Town of Erath
Erath, Louisiana
Combining Balance Sheet - Financial Data Schedule - All Funds
As of December 31, 2001

SCHEDULE II

Page 1 of 2

<u>Assets</u>	<u>Public Housing Programs</u>		<u>Fixed</u>	<u>Total</u>
	<u>Low</u>	<u>CFP</u>	<u>Asset</u>	
	<u>Rent</u>		<u>Group</u>	
Current Assets:				
Cash - Unrestricted	\$ 220,799	\$ -	\$ -	\$ 220,799
Cash - Restricted	-	-	-	-
Total Cash	\$ 220,799	\$ -	\$ -	\$ 220,799
Accounts Receivable - PHA Projects	\$ -	\$ -	\$ -	\$ -
Accounts Receivable - HUD Other Projects	3,015	-	-	3,015
Accounts Receivable - Other Government	-	-	-	-
Accounts Receivable - Miscellaneous	1,395	-	-	1,395
Accounts Receivable - Tenants Dwelling Rents	-	-	-	-
Allowance for Doubtful Accounts - Dwelling Rents	-	-	-	-
Accrued Interest Receivable	-	-	-	-
Total Accounts Receivable, Net of Allowance	\$ 4,410	\$ -	\$ -	\$ 4,410
Interprogram Due From	\$ -	\$ -	\$ -	\$ -
Investments - Unrestricted	204,952	-	-	204,952
Prepaid Expenses and Other Assets	19,702	-	-	19,702
Inventories	3,834	-	-	3,834
Total Other Assets	\$ 228,488	\$ -	\$ -	\$ 228,488
Total Current Assets	\$ 453,697	\$ -	\$ -	\$ 453,697
Noncurrent Assets:				
Land	\$ 57,707	\$ -	\$ -	\$ 57,707
Buildings	2,574,036	-	-	2,574,036
Furniture, Equipment & Machinery - Dwellings	119,412	-	-	119,412
Furniture, Equipment & Machinery - Administration	42,888	-	-	42,888
Leasehold Improvements	314,305	-	-	314,305
Accumulated Depreciation	(2,837,343)	-	-	(2,837,343)
Construction In Progress	-	111,313	-	111,313
Total Fixed Assets, Net of Accumulated Depreciation	\$ 271,005	\$ 111,313	\$ -	\$ 382,318
Other Assets	\$ 5,712	\$ -	\$ -	\$ 5,712
Total Noncurrent Assets	\$ 276,717	\$ 111,313	\$ -	\$ 388,030
Total Assets	\$ 730,414	\$ 111,313	\$ -	\$ 841,727

See notes to financial statements

**Housing Authority of the Town of Erath
Erath, Louisiana
Combining Balance Sheet - Financial Data Schedule - All Funds
As of December 31, 2001**

SCHEDULE II
Page 2 of 2

	<u>Public Housing Programs</u>		<u>Fixed</u>	
	<u>Low</u>		<u>Asset</u>	
	<u>Rent</u>	<u>CFP</u>	<u>Group</u>	<u>Total</u>
<u>Liabilities and Equity</u>				
Current Liabilities:				
Accrued Compensated Absences - Current portion	\$ 1,920	\$ -	\$ -	\$ 1,920
Accrued Wage/Payroll Taxes Payable	-	-	-	-
Accounts Payable < 90 Days	837	-	-	837
Accounts Payable - HUD PHA Programs	11,957	-	-	11,957
Accounts Payable - Other Government	6,357	-	-	6,357
Tenant Security Deposits	3,217	-	-	3,217
Deferred Revenues	172,235	-	-	172,235
Current Portion of LT Debt - Capital Projects	-	-	-	-
Accrued Liabilities - Other	-	-	-	-
Interprogram Due To	-	-	-	-
Total Current Liabilities	\$ 196,523	\$ -	\$ -	\$ 196,523
Noncurrent Liabilities:				
Long-term Debt, Net of Current - Capital Projects	\$ -	\$ -	\$ -	\$ -
Noncurrent Liabilities - Other	4,995	-	-	4,995
Total Noncurrent Liabilities	\$ 4,995	\$ -	\$ -	\$ 4,995
Total Liabilities	\$ 201,518	\$ -	\$ -	\$ 201,518
Equity:				
Project Notes (HUD)	\$ -	\$ -	\$ -	\$ -
Long-term Debt - HUD Guaranteed	-	-	-	-
Net HUD PHA Contributions	276,417	-	-	276,417
Other Contributions	-	-	-	-
Total Contributed Capital	\$ 276,417	\$ -	\$ -	\$ 276,417
Undesignated Fund Balance/Retained Earnings	\$ 252,479	\$ 111,313	\$ -	363,792
Total Equity	\$ 528,896	\$ 111,313	\$ -	\$ 640,209
Total Liabilities and Equity	\$ 730,414	\$ 111,313	\$ -	\$ 841,727

See notes to financial statements

**Housing Authority of the Town of Erath
Erath, Louisiana**

SCHEDULE III
Page 1 of 2

**Combining Statement of Revenue, Expenses, and Change in Equity - All Funds
For Fiscal Year Ending December 31, 2001**

	<u>Public Housing Programs</u>		<u>General Fixed</u>	
	<u>Low</u>		<u>Assets</u>	<u>Total</u>
	<u>Rent</u>	<u>CFP</u>	<u>Group</u>	
Revenues:				
Net Tenant Rental Revenue	\$ 67,871	\$ -	\$ -	\$ 67,871
Net Tenant Revenue - Other	-	-	-	-
Total Tenant Rental Revenue	\$ 67,871	\$ -	\$ -	\$ 67,871
HUD Operating Grants Grants	\$ 129,588	\$ 155	\$ -	\$ 129,743
Capital Grants	-	111,313	-	111,313
Investment Income - Unrestricted	14,298	-	-	14,298
Other Revenue	55,098	-	-	55,098
Total Other Revenue	\$ 198,984	\$ 111,468	\$ -	\$ 310,452
Total Revenue	\$ 266,855	\$ 111,468	\$ -	\$ 378,323
Operating Expenses:				
Administrative Salaries	\$ 37,312	\$ -	\$ -	\$ 37,312
Auditing Fees	3,500	-	-	3,500
Compensated Absences	-	-	-	-
Employee Benefit Contributions-Administrative	10,842	-	-	10,842
Other Operating - Administrative	19,495	155	-	19,650
Tenant Services-Salaries	90	-	-	90
Employee Benefit Contributions-Tenant Services	-	-	-	-
Tenant Services-Other	-	-	-	-
Water	291	-	-	291
Electricity	3,332	-	-	3,332
Gas	544	-	-	544
Other Utilities Expense	132	-	-	132
Ordinary Maintenance & Operations-Labor	19,956	-	-	19,956
Ordinary Maintenance & Operations-Materials	11,761	-	-	11,761
Ordinary Maintenance & Operations-Contract	15,874	-	-	15,874
Employee Benefit Contributions-Maintenance	5,585	-	-	5,585
Protective Services - Labor	-	-	-	-
Protective Services - Other Contract Costs	-	-	-	-
Protective Services - Other	-	-	-	-
Employee Benefits Contributions-Protective Services	-	-	-	-
Insurance Premiums	34,568	-	-	34,568
Other General Expenses	7,637	-	-	7,637
Payments in Lieu of Taxes	6,357	-	-	6,357
Bad Debt - Other	-	-	-	-
Interest Expense	-	-	-	-
Total Operating Expenses Before Depreciation	\$ 177,276	\$ 155	\$ -	\$ 177,431

See notes to financial statements

**Housing Authority of the Town of Erath
Erath, Louisiana**

SCHEDULE III

Page 2 of 2

**Combining Statement of Revenue, Expenses, and Change in Equity - All Funds
For Fiscal Year Ending December 31, 2001**

	<u>Public Housing Programs</u>		<u>General Fixed</u>	
	<u>Low</u>		<u>Assets</u>	<u>Total</u>
	<u>Rent</u>	<u>CFP</u>	<u>Group</u>	
Excess Revenue Over Expenses Before Depreciation	\$ 89,579	\$ 111,313	\$ -	200,892
Extraordinary Maintenance	-	-	-	-
Casualty Losses - Non-Capitalized	53,373	-	-	53,373
Housing Assistance Payments	-	-	-	-
Depreciation Expense	65,390	-	-	65,390
Operating Transfers - In	-	-	-	-
Operating Transfers - Out	-	-	-	-
Net Operating Income (Loss) After Depreciation	<u>\$ (29,184)</u>	<u>\$ 111,313</u>	<u>\$ -</u>	<u>\$ 82,129</u>
Beginning Equity @ 12/31/00	\$ 222,342	\$ -	\$ 3,108,348	\$ 3,330,690
Net Operating Income (Loss) After Depreciation	(29,184)	111,313	-	82,129
Prior Period Adjustments	335,738	-	(3,108,348)	(2,772,610)
Capital Outlays Enterprise Fund	-	-	-	-
Ending Equity @ 12/31/01	<u>\$ 528,896</u>	<u>\$ 111,313</u>	<u>\$ -</u>	<u>\$ 640,209</u>
	-	-	-	-

See notes to financial statements

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

Board of Commissioners
Housing Authority of the Town of Erath
Erath, Louisiana

I have audited the financial statements of the Housing Authority of the Town of Erath (PHA), as of and for the year ended December 31, 2001 and have issued my report thereon dated June 04, 2002. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Audit Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the PHA's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the PHA's internal control over financial reporting in order to determine my auditing procedures for the purpose of *expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting*. My consideration of the internal control over financial reporting would not necessarily disclose all

matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in the amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and for HUD. However, this report is a matter of public record and its distribution is not limited.

 **William Daniel McCaskill,**
CPA, APAC

Signature Valid

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William Daniel McCaskill, CPA
A Professional Accounting Corporation

June 04, 2002

William Daniel McCaskill, CPA

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Housing Authority of the Town of Erath
Erath, Louisiana

Compliance

I have audited the compliance of the Housing Authority of the Town of Erath (PHA) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2001. The PHA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the PHA's management. My responsibility is to express an opinion on the PHA's compliance based on my audit.

I conducted my audit of compliance in accordance with: generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the PHA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. I believe that my audit provides a reasonable

basis for my opinion. My audit does not provide a legal determination on the PHA's compliance with those requirements.

In my opinion, the PHA's complied, in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001.

Internal Control Over Compliance

The management of the PHA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the PHA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and HUD. However, this report is a matter of public record and its distribution is not limited.


Signature Valid William Daniel McCaskill, CPA,
APAC

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William Daniel McCaskill, CPA
A Professional Accounting Corporation

June 04, 2002

**Housing Authority of the Town of Erath
Schedule of Audit Adjusting Journal Entries
Fiscal Year Ending December 31, 2001**

LOW RENT

	DEBIT	CREDIT
Line 715 – Other Revenue		53,373
Line 972 – Casualty losses non-capitalized	53,373	
To correctly record insurance proceeds from a casualty loss from line 972 to line 715.		
Line 346 – Other current liabilities	4,995	
Line 353 – Non-current liabilities – other		4,995
To properly classify non current leave from line 346 to line 353.		
Line 1004 – Operating Transfer to Component Unit	11,298	
Line 1104 – Correction of Errors		11,298
Details: reduce AR-HUD 3,138		
reduce AP-HUD (8,304)		
flood insurance <u>(6,132)</u>		
Total 11,298		
The fee accountant entered the above as one net entry to line 1004 instead of line 1104.		
Line 166 – Accumulated depreciation		2,670,385
Line 974 – Depreciation Expense	101,568	
Line 1104 – Correction of Errors	2,771,953	
Line 504 – Net HUD PHA Contributions	2,670,385	
To correctly record Fixed Assets. During the fiscal year the PHA elected to change accounting principle from modified accrual to full accrual. The fee incorrectly calculated depreciation and this audit AJE corrects the depreciation at fiscal year end.		

**Housing Authority of the Town of Erath
Schedule of Prior Audit Findings
Fiscal Year Ending December 31, 2001**

There were no findings in the prior audit.

Housing Authority of the Town of Erath
Schedule of Current Audit Findings And Questioned Costs
Fiscal Year Ending December 31, 2001
(continued)

Per A-133, Section 505(d)

1. Summary Schedule of Auditors Results:

- i. The report includes a qualified opinion on the financial statements.
- ii. There were no reportable conditions in internal controls found that are required to be disclosed at the financial statement level.
- iii. The audit disclosed no noncompliance that is material to the financial statements.
- iv. No reportable conditions in internal control over major programs were disclosed by the audit.
- v. The compliance report issued for major programs was unqualified.
- vi. The report disclosed no audit findings required to be reported under Section 510a of A-133.
- vii. All major programs have oversight by HUD and are identified as follows:

<u>CFDA#</u>	<u>Name of Program</u>
14.872	Public Housing Capital Fund Program

- viii. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
 - ix. The auditee was considered a low risk auditee.
2. Finding relating to the financial statements required to be reported with GAGAS are as follows: NONE
3. Findings and questioned costs for Federal awards as defined in A-133, Section 510a all with HUD oversight: NONE

**Housing Authority of the Town of Erath
Management Letter and
Corrective Action Plan
Fiscal Year Ending December 31, 2001**

MANAGEMENT LETTER

During the fiscal year there was a flood that resulted in three feet of water in approximately half of the PHA apartments. FEMA used part of the PHA's office as a central command post. PHA residents that were not flooded were stranded for a week. PHA management served three hot meals per day to the stranded residents during the flood and relocated all flooded residents, some of whom are still not back in their homes. The turmoil of this event caused PHA filing systems to be overwhelmed. During the early part of the flooding, someone stole \$733 of cash rental receipts. Even though the filing system is still inadequate, during the fieldwork we were able, through alternate auditing procedures, to satisfy ourselves regarding the PHA's compliance and internal controls.

Corrective Action Plan

Person Responsible: Ms. Julia Hebert

Anticipated Completion Date: June 2001 for the theft and September 2002 for the filing system corrections.

Action Planned:

Theft:

We immediately reported the theft to the chief of police. There were so many people in and out of the office on the day of the theft, along with the other turmoil caused by the flood; that the probability of apprehending the thief was remote.

We immediately placed additional safeguards on cash controls.

**Housing Authority of the Town of Erath
Management Letter and
Corrective Action Plan
Fiscal Year Ending December 31, 2001**

Filing System:

We have all of the records but, admittedly they are not in the best of order. We have always had a good filing system and know what to do. We will re-install our filing order using current staff, additional staff and/or temporary staff.

Additional Auditor Comments

In my opinion, PHA staff's conduct during this difficult period was and continues to be exemplary. The Executive Director seems to have exerted extraordinary efforts to deal with this crisis in a most professional way. As well, I understand that the PHA residents acted very responsibly and handled themselves admirably during this difficult time.

It seems to me that what occurred could be used as a case study on how to correctly handle such a situation.